

Message Text

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45

ACTION NEA-10

INFO OCT-01 ISO-00 PA-01 PRS-01 FTC-01 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 /093 W

----- 057248

R 211030Z SEP 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 2459

INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 6470

E.O. 11652: GDS

TAGS: BPRO

SUBJECT: MAJOR PETROMIN PROJECTS; AGRICO

REF: JIDDA 6335

1. REPRESENTATIVES OF AGRICO ARE NOW IN JIDDA NEGOTIATING WITH PETROMIN FOR FERTILIZER PLANT TO BE ESTABLISHED IN JUBAYL. EMBASSY HAS LEARNED THAT SOME MAJOR STEPS HAVE BEEN MADE TOWARD AGREEMENT. BOTH SIDES NOW APPEAR RELATIVELY HAPPY WITH FINANCING AGREEMENTS REACHED IN LONDON THIS SPRING. THESE CALL FOR 30 PERCENT EQUITY (SPLIT 50 PERCENT EACH PARTNER); 60 PERCENT FINANCING BY THE GENERAL INVESTMENT FUND (AT 3 PERCENT RATES DURING CONSTRUCTION THEN AT 6 PERCENT FOR THE LIFE OF THE PROJECT); AND 10 PERCENT TO BE FINANCED COMMERCIALY. (EMBASSY IS NOT AWARE OF ANY SAUDI ACTION TO CHANNEL SAUDI MONEY INTO EQUITY OF PARTNER, ALTHOUGH THIS HAD BEEN DISCUSSED EARLIER.) OUR INFORMAION IS THAT THIS ARRANGEMENT ON FINANCING WILL SERVE AS MODEL FOR ALL OF THE MAJOR DEALS NOW PENDING WITH PETROMIN.

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2. COST OF THE AGRICO PROJECT HAS NOW RISEN FROM

\$250 MILLION TO AROUND \$435 MILLION (AN ADMITTEDLY
PADDED FIGURE). AT THE SAME TIME, THIS PRICE OF
FERTILIZER HAS FALLEN BY SOME \$300 PER TON, ACCORDING
TO ONE EMBASSY CONTACT. PETROMIN HAS REPORTEDLY SETTLED
AT A DELIVERED PRICE OF 30 CENTS PER CUBIC FOOT OF GAS
DELIVERED TO PLANT SITE.

3. AGRICO'S BUSINESS REPRESENTATIVE IN SAUDI ARABIA IS
SAUD BIN FAHD, SONE OF THE CROWN PRINCE AND FIRST DEPUTY
PRIME MINISTER, SO AGRICO SHOULD HAVE AS GOOD A SHOT AT A CONTRACT
AS ANYONE WILL HAVE.
HORAN

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